

House Engrossed Senate Bill

**FILED**

**JANICE K. BREWER  
SECRETARY OF STATE**

State of Arizona  
Senate  
Forty-eighth Legislature  
Second Regular Session  
2008

CHAPTER 292

## **SENATE BILL 1117**

AN ACT

AMENDING SECTION 36-422, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2008, CHAPTER 66, SECTION 1; AMENDING SECTION 36-425, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2008, CHAPTER 66, SECTION 3; RELATING TO HEALTH CARE INSTITUTIONS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

Be it enacted by the Legislature of the State of Arizona:

Section 1. Section 36-422, Arizona Revised Statutes, as amended by Laws 2008, chapter 66, section 1, is amended to read:

36-422. Application for license; notification of proposed change in status; joint licenses; definitions

A. A person who wishes to apply for an initial license or to renew a license to operate a health care institution pursuant to this chapter shall file with the department an application on a written or electronic form prescribed, prepared and furnished by the department. The application shall contain the following:

1. The name and location of the health care institution.

2. Whether it is to be operated as a proprietary or nonproprietary institution.

3. The name of the governing authority. The applicant shall be the governing authority having the operative ownership of, or the governmental agency charged with the administration of, the health care institution sought to be licensed.

4. The name and business or residential address of each controlling person and an affirmation that none of the controlling persons has been denied a license or certificate by a health profession regulatory board pursuant to title 32 or by a state agency pursuant to chapter 6, article 7 or chapter 17 of this title or a license to operate a health care institution in this state or another state or has had a license or certificate issued by a health profession regulatory board pursuant to title 32 or issued by a state agency pursuant to chapter 6, article 7 or chapter 17 of this title or a license to operate a health care institution revoked. If a controlling person has been denied a license or certificate by a health profession regulatory board pursuant to title 32 or by a state agency pursuant to chapter 6, article 7 or chapter 17 of this title or a license to operate a health care institution in this state or another state or has had a health care professional license or a license to operate a health care institution revoked, the controlling person shall include in the application a comprehensive description of the circumstances for the denial or the revocation.

5. The class or subclass of health care institution to be established or operated.

6. The types and extent of the health care services to be provided, including emergency services, community health services and services to indigent patients.

7. The name and qualifications of the chief administrative officer implementing direction in that specific health care institution.

8. Other pertinent information required by the department for the proper administration of this chapter and department rules.

B. An application filed pursuant to this section shall contain the written or electronic signature of:

1        1. If the applicant is an individual, the owner of the health care  
2 institution.

3        2. If the applicant is a partnership or corporation, two of the  
4 partnership's or corporation's officers.

5        3. If the applicant is a governmental unit, the head of the  
6 governmental unit.

7        C. An application for licensure or relicensure shall be filed at least  
8 sixty but not more than one hundred twenty days before the anticipated  
9 operation or the expiration date of the current license. An application for  
10 a substantial compliance survey submitted pursuant to section 36-425,  
11 subsection G shall be filed at least thirty days before the date on which the  
12 substantial compliance survey is requested.

13        D. If a current licensee intends to terminate the operation of a  
14 licensed health care institution or if a change of ownership is planned  
15 either during or at the expiration of the term of the license, the current  
16 licensee shall notify the director in writing at least thirty days before the  
17 termination of operation or change in ownership is to take place. The  
18 current licensee is responsible for preventing any interruption of services  
19 required to sustain the life, health and safety of the patients or residents.  
20 A new owner shall not begin operating the health care institution until the  
21 director issues a license.

22        E. A licensed health care institution for which operations have not  
23 been terminated for more than thirty days may be relicensed pursuant to the  
24 standards that were applicable under its most recent license.

25        F. If a person operates a hospital IN A COUNTY WITH A POPULATION OF  
26 MORE THAN FIVE HUNDRED THOUSAND PERSONS in a setting that includes SATELLITE  
27 facilities of the hospital that are located separately from the main hospital  
28 building, the department at the request of the applicant or licensee shall  
29 issue a single group license to the hospital and its designated SATELLITE  
30 facilities located within one-half mile of the main hospital building if all  
31 of the facilities meet or exceed department licensure requirements for the  
32 designated facilities. At the request of the applicant or licensee, the  
33 department shall also issue a single group license that includes the hospital  
34 and not more than ~~five~~ TEN of its designated satellite facilities that are  
35 located farther than one-half mile from the main hospital building if all of  
36 these facilities meet or exceed applicable department licensure requirements.  
37 Each facility included under a single group license is subject to the  
38 department's licensure requirements that are applicable to that category of  
39 facility. Subject to compliance with applicable licensure or accreditation  
40 requirements, the department shall reissue individual licenses for the  
41 facility of a hospital located in separate buildings from the main hospital  
42 building when requested by the hospital. This subsection does not apply to  
43 nursing care institutions and residential care institutions. The department  
44 is not limited in conducting inspections of an accredited health care  
45 institution to ensure that the institution meets department licensure

requirements. IF A PERSON OPERATES A HOSPITAL IN A COUNTY WITH A POPULATION OF FIVE HUNDRED THOUSAND PERSONS OR LESS IN A SETTING THAT INCLUDES SATELLITE FACILITIES OF THE HOSPITAL THAT ARE LOCATED SEPARATELY FROM THE MAIN HOSPITAL BUILDING, THE DEPARTMENT AT THE REQUEST OF THE APPLICANT OR LICENSEE SHALL ISSUE A SINGLE GROUP LICENSE TO THE HOSPITAL AND ITS DESIGNATED SATELLITE FACILITIES LOCATED WITHIN THIRTY-FIVE MILES OF THE MAIN HOSPITAL BUILDING IF ALL OF THE FACILITIES MEET OR EXCEED DEPARTMENT LICENSURE REQUIREMENTS FOR THE DESIGNATED FACILITIES. AT THE REQUEST OF THE APPLICANT OR LICENSEE, THE DEPARTMENT SHALL ALSO ISSUE A SINGLE GROUP LICENSE THAT INCLUDES THE HOSPITAL AND NOT MORE THAN TEN OF ITS DESIGNATED SATELLITE FACILITIES THAT ARE LOCATED FARTHER THAN THIRTY-FIVE MILES FROM THE MAIN HOSPITAL BUILDING IF ALL OF THESE FACILITIES MEET OR EXCEED APPLICABLE DEPARTMENT LICENSURE REQUIREMENTS.

G. If a county with a population of more than one million persons or a special health care district in a county with a population of more than one million persons operates an accredited hospital that includes the hospital's accredited facilities that are located separately from the main hospital building and the accrediting body's standards as applied to all facilities meet or exceed the department's licensure requirements, the department shall issue a single license to the hospital and its facilities if requested to do so by the hospital. If a hospital complies with applicable licensure or accreditation requirements, the department shall reissue individual licenses for each hospital facility that is located in a separate building from the main hospital building if requested to do so by the hospital. This subsection does not limit the department's duty to inspect a health care institution to determine its compliance with department licensure standards. This subsection does not apply to nursing care institutions and residential care institutions.

H. An applicant or licensee must notify the department within thirty days after any change regarding a controlling person and provide the information and affirmation required pursuant to subsection A, paragraph 4 of this section.

I. This section does not limit the application of federal laws and regulations to an applicant or licensee certified as a medicare or an Arizona health care cost containment system provider under federal law.

J. For the purposes of this section:

1. "Accredited" means accredited by a nationally recognized accreditation organization.

2. "Satellite facility" means an outpatient facility at which the hospital provides outpatient medical services.

Sec. 2. Section 36-425, Arizona Revised Statutes, as amended by Laws 2008, chapter 66, section 3, is amended to read:

36-425. Inspections; issuance of license; posting of deficiencies; provisional license; denial of license

A. On receipt of a properly completed application for initial licensure, the director shall conduct an inspection of the health care

1 institution as prescribed by this chapter. If an application for an initial  
2 license is submitted due to a planned change of ownership, the director shall  
3 determine the need for an inspection of the health care institution. Based  
4 on the results of the inspection, the director shall either deny the license  
5 or issue a regular or provisional license. A license issued by the  
6 department shall be conspicuously posted in the reception area of that  
7 institution. Unless the health care institution is an accredited hospital at  
8 the time of licensure, an initial license is valid for one year after the  
9 date the initial license is issued. If the health care institution is an  
10 accredited hospital at the time of licensure, the licensure term is three  
11 years from the expiration date of the hospital's current license, or in the  
12 case of an initial license based on a change of ownership, the licensure term  
13 is three years beginning on the effective date of the hospital's current  
14 accreditation.

15 B. The director shall issue an initial license if the director  
16 determines that an applicant and the health care institution for which the  
17 license is sought substantially comply with the requirements of this chapter  
18 and rules adopted pursuant to this chapter and the applicant agrees to carry  
19 out a plan acceptable to the director to eliminate any deficiencies. The  
20 director shall not require a health care institution that was designated as a  
21 critical access hospital to make any modifications required by this chapter  
22 or rules adopted pursuant to this chapter in order to obtain an amended  
23 license with the same licensed capacity the health care institution had  
24 before it was designated as a critical access hospital if all of the  
25 following are true:

26 1. The health care institution has subsequently terminated its  
27 critical access hospital designation.

28 2. The licensed capacity of the health care institution does not  
29 exceed its licensed capacity prior to its designation as a critical access  
30 hospital.

31 3. The health care institution remains in compliance with the  
32 applicable codes and standards that were in effect at the time the facility  
33 was originally licensed with the higher licensed capacity.

34 C. On receipt of an application for a renewal of a health care  
35 institution's license that complies with the requirements of this chapter and  
36 rules adopted pursuant to this chapter, the department shall issue a renewal  
37 license to the health care institution. An accredited hospital's renewal  
38 license is valid for three years after the expiration date of the accredited  
39 hospital's current license. All other health care institution renewal  
40 licenses are valid for one year after the expiration date of the health care  
41 institution's current license.

42 D. Except as provided in section 36-424, ~~subsections~~ SUBSECTION C and  
43 SUBSECTION E of this section, the department shall conduct a compliance  
44 inspection of a health care institution to determine compliance with this

chapter and rules adopted pursuant to this chapter at least once during each license period.

E. After the initial license period ends and after the department determines a facility to be deficiency free on a compliance survey, the department shall not conduct a compliance survey of that facility for twenty-four months from the date of the deficiency free survey. This subsection does not prohibit the department from enforcing licensing requirements as authorized by section 36-424.

F. A hospital licensed as a rural general hospital may provide intensive care services.

G. The director shall issue a provisional license for a period of not more than one year if an inspection or investigation of a currently licensed health care institution or a health care institution for which an applicant is seeking initial licensure reveals that the institution is not in substantial compliance with department licensure requirements and the director believes that the immediate interests of the patients and the general public are best served if the institution is given an opportunity to correct deficiencies. The applicant or licensee shall agree to carry out a plan to eliminate deficiencies that is acceptable to the director. The director shall not issue consecutive provisional licenses to a single health care institution. The director shall not issue a license to the current licensee or a successor applicant before the expiration of the provisional license unless the health care institution submits an application for a substantial compliance survey and is found to be in substantial compliance. The director may issue a license only if the director determines that the institution is in substantial compliance with the licensure requirements of the department and this chapter. This subsection does not prevent the director from taking action to protect the safety of patients pursuant to section 36-427.

H. Subject to the confidentiality requirements of articles 4 and 5 of this chapter, title 12, chapter 13, article 7.1 and section 12-2235, the licensee shall keep current department inspection reports at the health care institution. Unless federal law requires otherwise, the licensee shall conspicuously post a notice that identifies the location at that institution where the inspection reports are available for review.

I. A health care institution shall immediately notify the department in writing when there is a change of the chief administrative officer specified in section 36-422, subsection A, paragraph 7.

J. When the department issues an original license or an original provisional license to a health care institution, it shall notify the owners and lessees of any agricultural land within one-fourth mile of the health care institution. The health care institution shall provide the department with the names and addresses of owners or lessees of agricultural land within one-fourth mile of the proposed health care institution.

1 K. In addition to the grounds for denial of licensure prescribed  
2 pursuant to subsection A of this section, the director may deny a license  
3 because an applicant or anyone in a business relationship with the applicant,  
4 including stockholders and controlling persons, has had a license to operate  
5 a health care institution denied, revoked or suspended or a license or  
6 certificate issued by a health profession regulatory board pursuant to title  
7 32 or issued by a state agency pursuant to chapter 6, article 7 or chapter 17  
8 of this title denied, revoked or suspended or has a licensing history of  
9 recent serious violations occurring in this state or in another state that  
10 posed a direct risk to the life, health or safety of patients or residents.

11 L. In addition to the requirements of this chapter, the director may  
12 prescribe by rule other licensure requirements and may prescribe procedures  
13 for conducting investigations into an applicant's character and  
14 qualifications.

15 Sec. 3. Hospital relicensure standards

16 Notwithstanding any other law, a licensed health care institution,  
17 which is a hospital, for which operations have not been terminated for more  
18 than one hundred twenty days may be relicensed pursuant to the standards that  
19 were applicable under its most recent license, if relicensed by October 1,  
20 2008.

21 Sec. 4. Emergency

22 This act is an emergency measure that is necessary to preserve the  
23 public peace, health or safety and is operative immediately as provided by  
24 law.

APPROVED BY THE GOVERNOR JUNE 27, 2008.

FILED IN THE OFFICE OF THE SECRETARY OF STATE JUNE 27, 2008.